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ARIZONA CORPORATION COMMISSION

March 5, 2004

Chairman Marc Spitzer
Commissioner Bill Mundell
Commissioner Jeff Hatch-Miller
Commissioner Kris Mayes
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Re: Decision No. 66028 & Decision No. 66341

Dear Colleagues and Parties to the Dockets:

In response to Chairman Spitzer's March 2, 2004 letter, I submit my written proposal and proposed amendment for consideration at the March 12, 2004 Open Meeting.

ARS §40-252 authorizes us to "rescind, alter or amend" any order or decision of the Commission. I propose that the Commission amend Decision No. 66341 – the Order that established the \$0.1155 per therm surcharge for UNS Gas customers.

Exempt low income customers from the surcharge.

My proposed amendment excludes UNS Gas customers who are participating in the CARES program from the surcharge.

To qualify for CARES, a customer must have a combined household income that is at or below 150% of the federal poverty level. It is this group that is hardest hit by high winter heating bills. Approximately 2,750 UNS Gas customers participate in CARES. Eliminating the surcharge for CARES customers would delay collection of approximately \$60,000.

This change applies prospectively. While Decision No. 66341 became effective September 30, 2003, this change would be effective upon its approval.

Terminate the surcharge by October 31, 2004.

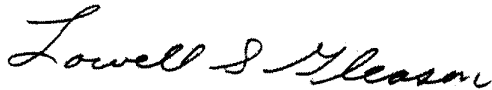
The proposed amendment terminates the surcharge before the start of the next winter season. A temporary "holiday" from the surcharge does not provide long term relief.

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Decision No. 66341 authorizes UNS Gas to collect the surcharge to be collected until the bank balance reaches zero. By November 1, 2004, the PGA bank balance will be between \$940,000 – \$1.1 million. Generally, the Commission imposes a surcharge if an adjuster mechanism sustains a balance over a "trigger" amount. For UNS Gas, that trigger is \$4.5 million. By November 2004, the balance is well within acceptable parameters.

Attached is a proposed amendment. I look forward to discussion of this proposal at the March 12 Open Meeting.

Sincerely,

A handwritten signature in cursive script that reads "Lowell S. Gleason".

Mike Gleason
Commissioner